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BUILD MEASURE LEARN – VALIDATED LEARNING APPLIED TO A SKATEBOARD START-UP

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Abstract

EGAL Skateboards is a start-up of two friends who decided to manufacture skate decks in Germany. The project is already in an advanced stage. The company set up its own manufacturing facility where boards are produced which are of high quality and well perceived by consumers. The entrepreneurs plan to sell their product online and offline and in this way create a profitable business. However, how exactly value is created and delivered was not entirely clear yet. Therefore, the work project at hand specifies a business model by implementing a tool called *business model canvas* (BMC). The BMC is a popular framework invented by Alexander Osterwalder (2011) who advocates it as practical orientated and superior to traditional business plans. Important assumptions underlying the business model are then tested in the real world. To do so, a methodology called *validated learning* which was developed by Eric Ries (2011) is applied. Validated learning is a rigorous method to come up with a repeatable and scalable business model. The results suggest that the business model can work, but improvements have to be made. The work conducted throughout the work project helps the company on its way to become a profitable business.

Keywords: Entrepreneurship, validated learning, business model canvas, Start-Up, Skateboarding

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1. Introduction

Skateboarding is an action sport which involves riding a so-called skateboard and performing tricks with it. It has its roots in California of the 1960s where young men brought surfing onto the streets by screwing wheels under wooden planks. From there, it became more and more popular spreading across the USA and all over the world. In the late 1990s and early 2000s, skateboarding excelled as a big trend with the number of skateboarders increasing rapidly. Throughout the decades, skateboarding has been shaped and influenced by many individuals. An important part of the skateboard culture is individuality, self-expression and style which is often tied to other youth cultures, urban movements and music such as Punk, Graffiti or Hip Hop. Because of this, many skateboarders started projects where they can express themselves and reflect their attitude and personal style into products in and around skateboarding. The urban culture gradually developed to an industry and nowadays skateboarding is a professional sport where top athletes earn millions of dollars surrounded by a market which is estimated at \$4.8 billion in annual revenue. There are roughly 11 million skateboarders around the world who practice the sport on a regular basis and many more who practice occasionally (Montgomery, 2009). Recently, it was even announced that the sport will be part of the 2020 Olympic Games in Tokyo.

The industry consists of companies which specialize in producing the various components of a skateboard like wheels, trucks, bearings and boards as well as textiles such as skate shoes and fashion. Until a short time ago, the industry was not very dynamic with only moderate innovation and all main brands almost exclusively coming from the USA. But, one can observe emancipation in Europe. The continent established its own independent and growing skateboard culture not necessary connected to US forerunners. This environment opened room for new European labels which take a fresh approach in developing skate equipment.

In summer 2015, creating their own project was also the intention of the two founders of EGAL Skateboards (EGAL SB). The idea was to manufacture own high quality skate decks in

Germany. By now, EGAL SB is a registered company and can be described as an entrepreneurial venture trying to set food as a profitable business in the European Skateboard culture.

The start-up EGAL SB is the topic of this paper. As all ventures, EGAL SB faces many unique challenges along the way of becoming a profitable business. At this stage, the company already has a well developed and tested product, however, market exposure and sales are still marginal. Therefore, among other challenges, the main question the venture faces is how to get market exposure and grow sales. Given company characteristics, what is the best strategy to sell its products? The work project at hand investigates this question by outlining a business model which is subsequently tested in the real world. The business model is described with the help of the so-called business model canvas, a tool invented by Alexander Osterwalder (2011). The most important assumption underlying it are then tested by implementing a methodology called *validated learning* (Ries, 2011). Instead of simply relying on good faith of a hypothetical business plan, one conducts small scale experiments to test the business model in the real world. This method is increasingly put into practice among entrepreneurs of all industries.

The research and the experiments throughout the work project will help the new company to mature into a profitable and sustainable business.

The paper is structured as follows. The next section provides information about the company and its products. Then, the business model and its most critical elements are outlined. The third part derives the research objective and explains the validated learning methodology. Section four continues by describing the experiments and its results. Section five concludes by summarizing what has been learned and by providing a future outlook.

2. Company Context and Business Model

2.1 The company

EGAL SB is a skateboard and lifestyle company founded by the two skateboarders and friends Phillip Brennscheidt and Peter Weger from Hagen, Germany. The company produces local, handmade and high quality skateboard decks, made in Germany. The two founders know skateboarding well and decided to name their project “EGAL”, which is a German word and means something like “I don’t care”, “whatever”, “it doesn’t matter” or “never mind”. This can be a common attitude among skateboarders but should not be understood in an unsophisticated manner. To the up-and-coming company, it means that you have to go for your ideas and goals even though it will be difficult. Accept the challenges, get focused and go for it without minding the consequence of failure. This is also how you land a gnarly skateboard trick which if failed can bitterly hurt and lead to serious injury. The founders are not afraid of the risks and problems of creating a start-up company and of taking on the challenge of manufacturing self-made boards.

EGAL SB was born in June 2015. The idea emerged during a car ride back home after a long day of skateboarding. While talking, a motivation came up to do an own project instead of always passively participating in the world. About ten minutes later common ground was found and it was decided that it could be “cool” to manufacture self-made skate decks from scratch. Since years, people are complaining that skate decks from all brands are simply a mass product mostly from China, produced by people who do not know skateboarding and are completely disconnected from its culture. China boards are not “true to the game” and the only difference among them is the printed graphic of the respective brands.

At this point, the project was not seen as a business opportunity, however motivation was high and the founders immediately began their research on how skate decks are built. Without any previous manufacturing knowledge, first initiatives were undertaken to buy input materials like

wood and glue and to organise necessary tools. A first workshop was set up in an inappropriate basement of an apartment house in Hagen (see appendix 2 for how it looked like). The experimentation and learning phase began and after about one month the first boards were ready. Of course, the makers themselves were eager to test their creation. Surprisingly, even the very first self-made boards were performing not too bad and one could skate them just like any board from a store. In the following months, many more boards were built which came along with a lot of learnings and improvements in the manufacturing process. At some point, it was decided to found an own label and see where it can go. Feedback from other people about the project and the product itself was very positive and considerations of making it a real business became more concrete. While continuing to improve manufacturing, a website was set up and a legal business entity was registered. At around May 2016, one of the founders moved to a new residence where it was possible to set up a proper manufacturing place with good machinery and tools. The company was all set up and some boards were already sold to friends and friends of friends. However, this was only the start of making it real. As with all start-ups, there were diverse challenges and problems which needed to be and still need to be overcome. For example, buying input materials and machinery costs money. Considerable private investment was not enough and the founders decided to apply for support at the local “Jobcenter Hagen” which is a governmental organisation helping unemployed people and prospective self-reliant founders. After a while, financial aid was approved by the Jobcenter. With the money, the first bulk order of wood was ordered from Canada which arrived in July 2016. From then on, EGAL SB was able to manufacture a product which performs equally well and in parts better than boards sold in skate shops. More company characteristics are depicted in the SWOT analysis in appendix 3.

2.2 The Product

EGAL SB manufactures high quality skate decks which fit performance requirements of amateur as well as professional skateboarders.

The offered standard skate deck consists of seven layers of Canadian maple wood which are glued together. The size, shape, concave and graphic can vary. EGAL SB also offers “blank decks” with no graphic but for a cheaper price. Decks can also vary in its construction in terms of the wood and the glue used. For example, the company offers decks made out of Mahogany wood which result in a classy look. Some of the boards the company currently offers are shown in appendix 4. By controlling the manufacturing process and the material input, EGAL SB is able to produce a product which is of higher quality than the average skate deck available in shops. More information on the manufacturing process is provided in appendix 5.

The company is also expanding into producing clothing. For Winter 2016/2017 EGAL SB already offers hand-made beanies made out of high quality wool and various colour combinations.

EGAL SB can build a solid product. The next task is to generate value with it. The intended plan to do so is the topic of the next section.

2.3 EGAL SB - Business Model Canvas

This section specifies the intended business model of the company. A business model defines how a firm creates and delivers value to customers and how it converts received payments to profits (Teece, 2010).

A relatively new and useful framework to state business models is the so-called *business model canvas* (BMC) which stands out because of its simplicity and praxis orientation (Osterwalder/Pigneur 2011). The BMC was developed by Alexander Osterwalder together with

Yves Pigneur and thoroughly explained in the book *Business Model Generation: A handbook for visionaries, game changers, and challengers* (2011). The authors describe it as a hands-on tool that fosters understanding, discussion, creativity, and analysis of business models. The BMC is not industry-specific and the structure of the tool is easily understood by all stakeholders. For these reasons the BMC framework is a sound choice for describing the EGAL SB business model.

The canvas is divided in four main areas: offering, customer, infrastructure and finances. The area designated to offering is concerned about what is offered to the target audience (value proposition). The area titled as customer defines the target audience (customer segment), how they are reached (channels) and how to establish relation with customers (customer relationships). The infrastructure category describes how to organize internally (key resources, key activities) and what networks to establish externally (key partners) in order to deliver value to the customer. The finance segment deals with costs (cost structure) and revenues (revenue stream) of the business model. Next, this framework is applied to EGAL SB.

2.3.1 Value Proposition

In short, value is something which provides benefits to the customer (Ries, 2011). EGAL SB will provide customers with an alternative to “made in China” skateboards. Made by skateboarders, tested by skateboarders and enjoyed by skateboarders. The company promises high quality, stylish and affordable skateboard decks which are “Made in Germany”. The products are produced locally in an environmentally friendly manner and are therefore more sustainable than overseas mass production. This makes the boards special and separates them from other boards. Communication between customers and company is flat and more personal than the average company. It allows customers to place customized orders even if the desired deck is not currently in stock.

Throughout the lifetime of the project, the founders continuously took out their self-constructed boards to test them in various skate parks around Germany. In this way, it was possible to check performance and refine construction where needed. By now, the boards meet high performance standards required by pro skaters and are more durable than boards from reputable brands. Furthermore, in the skate parks around Germany every opportunity was used to obtain feedback from random on-site skateboarders. People could test out the boards and give their opinions about the project. From these conversations, it can be concluded that skateboarders do like the feeling and performance of the boards. Also, the fact that EGAL SB is a German skateboard company which manufactures its boards in Germany is something which continuously received positive feedback.

The conversations with potential customers can be used as a proof that the hypothesized value proposition is confirmed. It can be said that the above listed facts are valued by customers which are willing to pay a slightly higher than average price for EGAL SB decks.

2.3.2 Customer Segments

Generally, EGAL SB wants to serve all German skateboarders. More specifically, street skateboarders who practice on a regular basis and who identify themselves with its culture. These people are mostly males between 12 and 40 years of age. However, the young clientele, age 22 and under, are not that attractive for now. Young people do not have much money to spent and mostly just look for cheap boards. If they decide to spent more money on a skate deck, then they will probably choose famous skate brands which sponsor their idols. At the moment, EGAL SB does not have the resources to sponsor idols which combined with a higher price make it a less attractive brand for young skateboarders. For these reasons, this group is not the preferred target but should, nevertheless, not be ignored.

More mature skateboarders are a better fitting customer segment for several reasons. First, they are more likely able to afford a higher priced board. Furthermore, mature people value the aspect of culture and will support skateboarders who make quality skateboards themselves. Older customers are also more conscious about the environment and value a local producing brand which is more socially responsible, sustainable and embedded in the local economy.

EGAL SB also offers cruiser boards. These kinds of boards are attractive to recreational skateboarders who are not really trying tricks but just want to go out and ride. These people can be completely disconnected to Skateboarding itself but are still buying a skateboard for occasional fun or transport. This group is bigger and richer than the core target audience and should therefore be served. Usually, this group identifies itself with at least one other kind of fun sport like for example surfing, ski- and snowboarding, kite boarding, windsurfing or mountain biking.

2.3.3 Channels

The company intends to sell their boards via online and offline means.

The main online channel is the fully functional web store accessible via the website. Here, consumers can learn about the products and easily place conventional online orders. Furthermore, some boards are available on market places like eBay. The company will utilise social media and digital marketing to attract consumers to the web shop.

Offline, the company will focus its efforts on establishing relationships with small retailers. The founders will approach owners of private surf and skate shops and arrange agreements on price, quantity and payment. To establish retail relationships and gain shelf space EGAL SB will offer skate shops to keep the boards without paying for them until they sold an item to one of their customers.

2.3.4 Customer Relationships

This section lays out how the company plans to manage interaction with current and potential future customers. The goal is to improve business relationships with consumers, customer retention and eventually grow sales (Dyche, 2001).

For the consumer side, customer relationships will be managed online. Easy and flat communication between target group and company is ensured by an up to date website where consumers are informed about new products and on how to do business with the company. People can use the contact formula or simply write an email to engage in communication.

Furthermore, and perhaps more importantly, social media is utilized to manage customer relations. The platforms Facebook and Instagram are used to keep consumers engaged about up to date company relevant information and products. On these platforms it also possible to grow the potential customer base by gaining followers. Also, with social media one can obtain and analyse important data about how customers perceive the brand and its products. Over time, managing customer relations in this way will increase sales.

Managing interactions with retailers is mainly done in person to person communication through phone and email. Setting up sophisticated software like automated order systems is not feasible yet but will be considered in the future.

2.3.5 Cost Structure

The following table depicts the cost of producing one board.

Cost factor	Cost per Board in Euro
Wood	9
Glue	3
Varnish	2
Silk-screen print	2
Other	10
Total	26

Table 1 – Cost of producing one deck

The cost factor “Other” refers to labour cost and overhead costs. In this case, it includes expenses like labor hour per one board made, energy, machine depreciation, among other. The true value is likely to be less than 10 Euro per board. However, to be on the save side it is assumed to be 10 Euro.

Given this cost structure, EGAL SB has to charge a higher than average price for the skate decks. Current product prices and corresponding revenue streams are outlined in the next section.

2.3.6 Revenue Streams

Revenue is mainly generated by selling boards. A deck sold to a consumer generates between 45 to 149 Euro.

The revenue stream will be different when selling to retailers as they require a lower price but order in bulks. EGAL SB aims at selling a standard board to retailers for a price of 40 Euros. However, there is enough margin to sell boards for 30 Euro. The final sales price will vary and depends on the bargained agreement with individual shop owners. The following price list was established as a guide for bulk orders.

Number of Boards	Price per Board in Euro
10	38,90
25	35,90
50	33,90
100	29,90

Table 2 – B2B prices

2.3.7 Key Partners

There are two key partners to retain good relationships with.

On the upstream side of the supply chain there are suppliers of raw materials like wood, glue and varnish. Without supply of input materials EGAL SB cannot produce boards. Furthermore, the company needs to source materials of high quality standards in a cheap and reliable manner in order to keep operating and to deliver value to its customers. Therefore, it will always be important to retain good relationships with suppliers while at the same time look out for potential new and better partners.

On the downstream side of the supply chain there are the retailers which EGAL SB intends to do business with. These are key partners because they will ultimately be the source of revenue. It is important for the company to establish good partnerships which make both sides happy.

2.3.8 Key Resources

The following key resources are necessary for creating value to customers. Basically, EGAL SB needs physical infrastructure to build boards. This includes a manufacturing site and the tools needed to make boards. Furthermore, another key resource is human capital. A person with skill and knowledge about manufacturing high-end skate decks is key for a product valued by the target audience. Another person who can coordinate business processes and who is skilful in marketing is also key to execute the business model. Here, the two founders complement each other. Operations would basically stop if cooperation between the two would fail.

2.3.9 Key Activities

The company itself needs to engage in two key activities to make the business model work.

First, there is the manufacturing of the boards. The manufacturing process needs to be continuously refined to gain efficiency and to keep improving the product.

Another subsequent key activity will be marketing and customer relationship management. This is crucial because even the best product will not sell if customers do not know about it or do not understand its superior value.

The EGAL SB business model canvas is visualized in appendix 6.

Conceptualizing a business model is an important step towards creating value. However, the BMC is still just a document with hypothetical assumptions on how the business model is supposed to work. The next step to success is to actually go out and test it. In this way, one can validate the business model or if it is not working pivot it. The following chapter first derives the research question which will be investigated in the context of this work project. Then, the testing methodology will be explained and subsequently put into practice by testing parts of the BMC above.

3. Research Objective and Methodology

3.1 Research Question

EGAL SB already set up a manufacturing site and figured out how to source its input materials. Furthermore, it has a capable team which can build a well-developed product and knows how to market. Referring back to the BMC, this means its infrastructure is mostly set up. Also, after one year of planning and consideration, there is sound knowledge about the organisations cost structure and potential revenue streams. Moreover, the product has been exposed to outsiders and to various consumers since a while already. By bringing together all the customer feedback from the past, it is fair to say that any hypotheses about the value proposition are also confirmed.

However, important open questions remain at the customer section of the BMC. Looking at channels, the company did not yet prove that the intended strategy on how to reach its customers works. This however, is vital if the company wants to generate value.

Therefore, at this stage EGAL SB needs to prove these assumptions in order further develop the business. Consequently, the following crucial questions need to be investigated. While having in mind the company-specific characteristics, how can EGAL SB best expose its product to the target audience? Are the proposed online channels effective and can product exposure be attained by reaching out to small retailers with the intended strategy?

The BMC of section 2.3 provides hypothetical answers to these questions. Now, one needs go further and systematically test the business model. In recent years, entrepreneurship scholars and practitioners have developed a new methodology to just that. The methodology and how it is implemented is described in the following section.

3.2 Research Methodology

Traditionally, a business model was thoroughly written down in a business plan. When the business plan seemed coherent and complete, people started executing it full scale by devoting a lot of resources to it. However, the strategies and ideas of a business plan are merely assumptions about reality and one should not take the effectiveness of such hypnotized plans for granted. In fact, 75% of start-ups fail (Nobel, 2011). Recently, a new approach of how to start a company appeared which is arguably less risky. It favours testing over-elaborate planning, customer feedback over intuition and iterative design over big upfront development (Blank, 2013).

Instead of preparing an entire business plan, advocates of the modern approach recommend that once a potential business model is found one should start conducting experiments to test which

parts of the strategy work and which do not work. An idea can be validated by running frequent experiments. Such testable predictions allow entrepreneurs to learn about reality. If a hypothesis turns out to be wrong one needs to go back and pivot the business model. If it is proven one can continue and scale it up. In his book “The Lean Startup” (2011) Eric Ries calls this method *validated learning*. Inspired by the scientific method, this methodology tests empirically if a venture has discovered valuable truths about a business model. Ries argues that this method is more concrete, accurate, and faster than forecasting or traditional business planning.

Entrepreneurs start by formulating clear hypotheses about each component of the BMC. Generally, hypotheses can be about anything like for example the value proposition, marketing, pricing, solutions or sales. Next, one designs experiments to test the hypotheses. The first hypothesis which should be tested is the so-called *value hypothesis*. This hypothesis challenges the value proposition and needs to be checked before everything else because the value of a product is the only reason why consumers would buy it. After the value of an idea is confirmed, the next question is how to deliver it to the consumer. Here, one can establish so-called *growth hypotheses* which are assumptions of how the value will be delivered to consumers.

Eric Ries methodology can be summarized with the help of the cycle diagram depicted in appendix 7.

The upcoming section investigates the research question by applying Eric Ries’ methodology.

4. Field Research

In accordance to the lean start-up method, hypotheses are formulated and corresponding experiments are designed. These experiments are conducted and subsequent results are analysed. The experiments take a structural approach which is illustrated in the figure below and are each summarized in so called test cards.

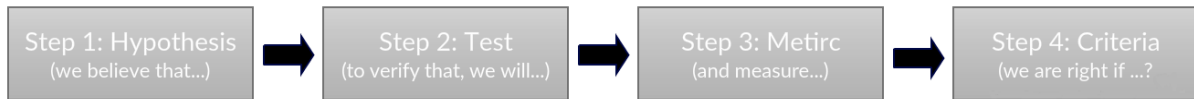


Figure 1 – Experiment Structure

4.1 Hypotheses

In the BMC, it is assumed that an important growth path is to reach consumers through online channels. More specifically, the intended strategy is to drive traffic to the homepage by undertaking social media activity and online marketing. Therefore, the following hypotheses can be established:

H1: Social media activity will drive traffic to the site.

H2: Paid digital advertising will drive traffic to the site.

The intended strategy to establish offline channels is to approach small retailers. Here, an important assumption is that the owners of shops are willing to sell EGAL SB boards. Accordingly, one can establish the following hypothesis:

H3: Small retailers are willing to sell EGAL SB boards in their shops.

4.2 Online Experiments

The following experiments all serve the purpose of testing H2. The Results are jointly analysed as the experiments are conducted throughout the same period.

Experiment 1 – Increasing Social Media Activity

The following experiment was conducted to test H1.

Test Card 1	
Name:	Duration: 10 days (30.11.16 – 10.12.16)
Increasing Social Media Activity	Budget: 0€
Step 1: Hypothesis H1: Social media activity will drive traffic to the homepage.	
Step 2: Test Activity on the companies already existing Facebook and Instagram page will be increased. Quality and relevant visual content related to the company and its products will be posted. The page and posts are shared among friends. See appendix 8 to view the posts.	
Step 3: Metric Website traffic attributed to the social media activity is measured.	
Step 4: Criteria H1 is confirmed website traffic increases considerably due to the experiment.	

Experiment 2 – Advertising on Facebook

Marketers can use professional tools provided by Facebook to undertake paid marketing and measure its impact. Paid marketing on Facebook is part of many digital strategies of similar lifestyle brands. Accordingly, this sections describes and discusses four distinct Facebook ad experiments to investigate H2.

Test Card 2	
Name:	Duration: 1 week (03.12.16 – 09.12.16)
Campaign 1 & 2 – Promote Facebook page	Budget: 2x49€
Step 1: Hypothesis H2: Paid digital advertising will drive traffic to the site.	
Step 2: Test	

A typical Facebook ad with potentially intriguing content is exposed to the target consumer identified in section 2.3.2. Customers see the ad as shown in appendix 9. The primary objective of the campaign is to increase page likes, but new visitors may check out the website as well. The same campaign is run twice with different segmentation as seen in appendix 9

Step 3: Metric

Website traffic throughout experimentation phase will be monitored.

Step 4: Criteria

H2 can be confirmed if website traffic is significantly higher than website traffic without paid advertising.

Test Card 3

<i>Name:</i>	<i>Duration:</i> 1 week (03.12.16 – 09.12.16)
Campaign 3 – Local awareness	<i>Budget:</i> 35€

Step 1: Hypothesis

H2: Paid digital advertising will drive traffic to the site.

Step 2: Test

A typical Facebook ad with potentially intriguing content is exposed to a local audience in and around the city of Hagen, Germany. The ad shows EGAL boards hanging on the wall at a local skate shop. The target are local young people who potentially shop at this kind of store and are also potentially interested in skateboarding. The ad as shown to consumers in Facebook is depicted in appendix 9. The primary objective of the campaign is to increase page likes, but new visitors may check out the website as well.

Step 3: Metric

Website traffic throughout experimentation phase will be monitored.

Step 4: Criteria

H2 can be confirmed if website traffic is significantly higher than website traffic without paid advertising.

Test Card 4	
Name:	Duration: 1 week (03.12.16 – 09.12.16)
Campaign 4 – Website clicks	Budget: 35€
Step 1: Hypothesis H2: Paid digital advertising will drive traffic to the site.	
Step 2: Test A typical Facebook ad with potentially intriguing content is exposed to the target consumer identified in section 2.3.2. Customers see the ad as shown in appendix 9. The primary objective of this campaign is to increase website visits. Instead of “Like” button, the campaign shows a “Learn More” button which guides people directly to the website.	
Step 3: Metric Website traffic throughout experimentation phase will be monitored. The ad manager can identify exactly how many website clicks result from this campaign.	
Step 4: Criteria H2 can be confirmed if website traffic is significantly higher than website traffic without paid advertising.	

Experiment 3 – Google AdWords

A commonly used digital marketing method is search engine advertising with Google. For this, Google provides a tool called AdWords which marketers can use to reach out to their target audience. Pre-determined key words are selected to define the customer group which can be

further segmented by demographics and geographics. An auction algorithm with respect to allocated budget and competitiveness of the key words determines how often an ad is shown to potential customers. Google AdWords is extensively used in most digital marketing strategies. Therefore, an AdWords campaign is conducted as part of investigating H2. The following test card describes the experiment.

Test Card 5	
Name:	Duration: 1 week (03.12.16 – 09.12.16)
Google AdWords – Website clicks	Budget: 35€
Step 1: Hypothesis H2: Paid digital advertising will drive traffic to the site.	
Step 2: Test A straight forward campaign is built with AdWords. Key words are generally related to “buy skateboard”, “skateboard”, etc. The ad is exposed to young people in Germany. For more details on the campaign see appendix 9.	
Step 3: Metric Website traffic throughout experimentation phase will be monitored. AdWords can show exactly how many website visits were triggered by this campaign.	
Step 4: Criteria H2 can be confirmed if website traffic is significantly higher than website traffic without paid advertising.	

Online Experiments Results

The results of the online experiments are analysed with the help of the graph below. It shows Facebook page likes and website traffic before, during and after the online experiments. Furthermore, it indicates specific events related to the experiments.

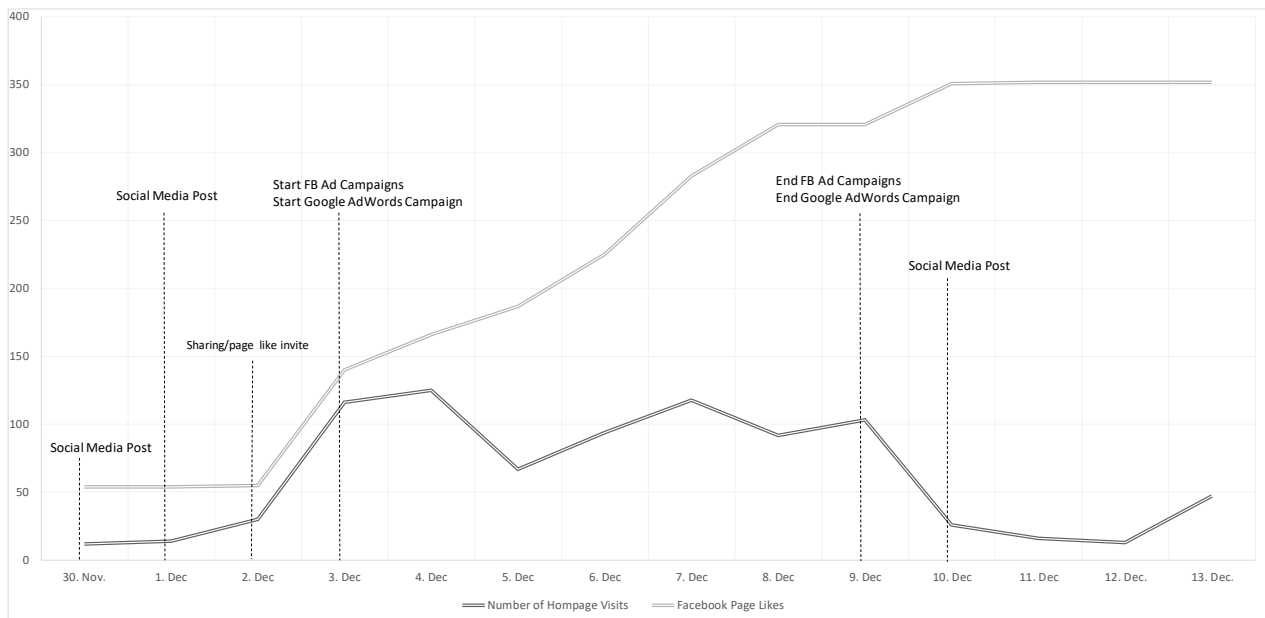


Figure 2 – Online Consumer Exposure over time

As one can see, just posting visually appealing content does not increase website traffic. The first post only marginally increased website traffic while the second post did not have an effect at all. On the 2nd of December, friends and other people on Facebook were invited to like the page. This activity triggered a surge in page likes. At the same time website traffic also surged. It looks like website traffic is perfectly correlated with an increase in page likes just after this activity. It is fair to say that the increase in website traffic was initiated by the Facebook users who looked at the EGAL SB Facebook page and then checked out the website. Once a user is on the Facebook page, he is likely to also visit the homepage by clicking the integrated button. From these observations one can conclude that social media activity indeed drives traffic to the website. Therefore, H1 can be confirmed. However, it is not an easy task. One has to attract

new visitors to the Facebook page because they will be the ones curious to check out the website to learn more about the brand.

The statistic also suggests that online advertising is a way to drive traffic to the homepage. The period during paid advertising on Google and Facebook saw an average traffic of 102 visitors per day while the average traffic before and after experimentations was just 22. This is an increase of about 464% which is reasonable support for H2. For more details of the respective results of the campaigns see appendix 10. However, online advertising did not come for free. The money spent on Facebook ads amounts up to 133,80€. The final amount spent on the Google AdWords campaign turned out to be 33,37€. Therefore, online advertising expenses throughout experimentation phase amount up to 167,17€. Even though H2 is confirmed one should question if these expenses can be justified by the results. At this point in time, the digital efforts did not trigger enough sales to cover these costs. There are various hypotheses which could explain why the campaigns at hand did not trigger sales yet. For example, it often takes more time before a consumer decides to buy a product. This process can be explained with the concept of the consumer decision journey (appendix 12). Also, the website is not optimised for conversions and the consumer may not yet grasp the unique value proposition of the brand. Another possible explanation is that the marketing campaigns themselves were not convincing enough. In the future, these hypotheses should be tested by conducting new experiments and engage in another “build-measure-learn” cycle.

To conclude, it is worth mentioning that these results are not disappointing. When considering the digital marketing concept of the so-called *conversion funnel* (appendix 12) it becomes clear that it is necessary to attract many more visitors to the website to create a chance of conversion.

4.3 Offline Experiment

Experiment 4 - Selling to Retailers

At least traditionally, the most important sales channel for skate decks is through retailers who have brick and mortar style shops and sell many different brands related to skateboarding and surfing. In the business plan, establishing retail relationships with small retailers is assumed to be a growth track. As described earlier, a strategy to establish these relationships is to simply talk to shop owners and pitch the product. Accordingly, one can establish the following hypothesis:

H3: Shop owners are willing to sell EGAL SB boards in their stores.

In order to test H3, the following experiment was conducted.

Test Card 6	
Name:	Duration: flexible
Retail experiment	Budget: 0€, fuel cost, time
Step 1: Hypothesis	
H3: Shop owners are willing to sell EGAL SB boards in their stores.	
Step 2: Test	
The intended experiment is to simply approach shop owners and introduce them to the EGAL SB project. An informal and open person to person conversation should be established. Various sample boards are shown to the shop owner for him to asses and provide feedback. The experiment could be classified as an interview and typical questions include: What is your opinion on EGAL SB? What do you think about the product? Could you imagine to exhibit these boards in your shop and sell them? What margins do you require? Shop owners do not need to pay for the boards in advance.	
Step 3: Metric	

The interviews are judged on a qualitative basis. A check list is made to document if retailers have a positive opinion about EGAL SB and if they agree to exhibit at least one board in their shop.

Step 4: Criteria

A good outcome of the conversation would be when a shop owner has a broadly positive opinion about the EGAL SB project and is willing to sell the boards.

Results

Throughout the work project six retailers have been approached to test H3. The table below provides an overview of the outcome.

Shop	Like?	Want to sell?	Comment
bana (Portugal)	✓	✓	Took one board
I Love CI (Germany)	✓	✓	Already sold boards
Barrio Berlin (Germany)	✓	✗	Wants to first test boards
YO-C Skate Shop (Germany)	✓	✗	Wants to first test boards
Australia-surfshop.de (Germany)	✓	✓	Wants to sell in his online shop
POP Skate Shop (Portugal)	✓	✓	Concerned about margin

Table 3 – Check List Retail Experiment

Six out of six retailers like EGAL SB as a brand and four out of six already agree to exhibit at least one board in their shops. The ones who do not want issue them yet are, however, generally not reluctant towards this idea. They just do not want to decide immediately and first test the boards. For example, the YO-C Skate Shop bought a board which will be tested by one of their team riders.

Given these results, it is fair to say that H4 can be confirmed. The strategy outlined in the BMC is a way to reach customers.

However, often feedback received was not entirely positive. Some retailers doubt that their customers would buy EGAL SB boards. The stated reason for this was mainly the fact that it is an unknown brand. There is no apparent reason for the average customer to buy a slightly higher priced EGAL SB board when it is displayed next to all other boards. The identified problem here is that customers do not understand the unique value proposition of EGAL SB boards. Furthermore, some require a margin of 100% which would result in prices significantly higher than other boards displayed in the shop. Given the fact that EGAL SB is still an unknown brand, these people doubt that they would sell many boards. This insight is demotivating but no defeat. Other interviewees are fine with a margin of just 15€ per board or even 5€ per board in the case Australia-surfshop.de where the boards are solely sold online.

5. Conclusion

Skateboarding is not just anti-establishment and fun. It can also be serious business in a multibillion dollar industry. The founders of EGAL SB are making the transition from fun to business, from hobby to job, from consumer to a brand. Until today, lots of milestones have already been achieved. Now, the company intends to sell its products online and offline throughout Germany. With the help of the business model framework, the work project at hand outlines a business model which describes how this is supposed to work. A critical part of that plan is to effectively make the product accessible to consumers. However, it is important to realize that the outlined strategy relies on crucial assumptions which are not necessarily the truth. Because of this, the work project utilizes a technique called *validated learning* which is used to test the assumptions of the business model. Accordingly, various experiments are conducted to test the following hypotheses:

H1: Social media activity will drive traffic to the site.

H2: Paid digital advertising will drive traffic to the site.

H3: Small retailers are willing to sell EGAL SB boards in their shops.

The results suggest that the hypotheses can be confirmed. However, experiments revealed other problems with regard to the strategy. For example, even though H2 is confirmed, it is not necessary a feasible way to drive traffic towards the site as online advertising costs money and did not trigger sales yet. In 2017, initiatives are planned to solve the issue. Facebook advertising and search engine advertising has to become more efficient. Consequently, more experiments will be conducted to decrease costs and gain effectiveness of the ads. Furthermore, the unique value proposition needs to be effectively communicated. To do so, EGAL SB will produce high quality pictures and videos which will be published on social media and the website. This should increase the follower base of the company and subsequently lead to regular online conversions. Moreover, the study suggests that the proposed strategy to gain presence in skate shops is promising and feasible. Overall, the result was encouraging enough to decide to scale up that part of the strategy. In Spring 2017, the entrepreneurs will undertake a big promotion tour throughout Germany with a car full of boards. The founders are confident that many retailers want to exhibit EGAL SB decks in their shops and that at least some of them become long term customers.

To conclude, it can be said that the road to success is still long and many challenges and opportunities will emerge on the way. 2017 will be a decisive year for the company which will reveal if the project can create long term sustainable value.

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